

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

March 1951

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Cap 2

P R E S S D I G E S T

A Sample of Newspaper Stories and Comment Regarding the
Rural Electrification and Rural Telephone Programs

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ELECTRIFICATION

CO-OPS ARE FIRST TO VOLUNTEER
ALL-OUT SUPPORT

Story by Floyd M. Gibson
Oklahoma Rural News
January 1951

Oklahoma's rural electric cooperatives have pledged their facilities voluntarily to the state's civil defense emergency program. It was pointed out by the state defense authorities that the co-op facilities are the first to be voluntarily placed at the disposal of defense planners. A partial list of facilities put on the line by the co-ops include: 20 central and 100 mobile two-way radio systems, 225 vehicles equipped with first aid facilities, more than 600 workers trained in handling power and communications, 3 mobile power generators, an airplane, buildings and a complete storm warning system. Geographical location of cooperative system headquarters makes them doubly important for communication and transportation. They are located in widely scattered sections of the state.

MORE POWER ASSURED FOR KENTUCKY
LINES

Editorial in the
Louisville Courier-Journal
December 7, 1950

In perhaps the most important decision of its history, the Public Service Commission has ruled that the REA co-ops have the right to build and operate their own power-generating plant on the Kentucky River in Clark County. This ruling supports the REA contention that private utilities in the state cannot presently generate enough power to serve the needs of Kentuckians. The decision points out that the Kentucky Utilities Company, which supplies the bulk of the REA power, buys approximately 25 percent of its own power from out of the state. For this it pays 7.9 mills per kwh whereas it can generate its own power for 5.94 per kwh. The completion of the REA generating plant will mean lower rates and more electricity for the 18 Eastern Kentucky co-ops which will receive power from it. The new REA plant will also serve as an important yardstick for establishing fair utility rates. In other states, where REA generates its own power, it has been found that its lower rates have a tendency to hold all utility rates at a lower general level.

ELECTRIC CO-OP LOSES \$16 MILLION
LOAN PLEA; APPEAL IS PLANNED

A. P. Dispatch from Richmond in the
Washington Star
December 12, 1950

The State Corporation Commission today rejected an application by the Old Dominion Electric Cooperative to borrow \$16 million from the REA to finance generating and transmission facilities. Immediately after the decision, W. H. Copley, Old Dominion President, told reporters that the cooperative would exercise its right of appeal to the Virginia Supreme Court. He added that the co-ops are determined to obtain the full benefits of the low-cost power to be generated at Buggs Island and other river developments in Virginia. The decision of the three members of the Commission was unanimous. Old Dominion's application was vigorously opposed by Virginia Electric & Power Company during the hearings. VEPCO which includes the eleven co-ops among its 440,000 Virginia customers, fought the application on the ground that it could supply power cheaper itself. The Commission found that the money sought by Old Dominion would not produce cheaper electricity nor provide better service than VEPCO.

POWER INDUSTRY FEARS SHORTAGES
IN DISTRIBUTION FACILITIES

New York Herald-Tribune
December 21, 1950

The electric power industry has reached an output just under the unheard of figure of 7,000,000,000 kwh. An executive in the industry says if the nation was now as strong in armament and other elements of preparedness as it is in electric generating capacity, we would have little to fear. The darkest cloud on the horizon in the power field appears to be the possibility of material shortages not on power generating equipment but on increased facilities for power distribution.

PRIVATE UTILITIES HELD
UNASSERTIVE

Story by John P. Callahan in the
New York Times
January 30, 1951

No top utility official appears willing to challenge the Federal government's contention that "the reserve margin of electric power has practically disappeared." Utility spokesmen repeated last week that they can meet all demands - peacetime and wartime. They did not comment, however, on President Truman's request for more than a billion dollars to add close to 4,000,000 kw to public power projects. One utility representative, with characteristic anonymity, commented that wartime power expansion, "under the guise of a national emergency, is a golden opportunity for public power to enlarge itself." The electric companies would resolve the problems of private and public power with the suggestion that they build and operate power facilities incidental to government development of water resources. Utility officials say that while government and business spending should create defenses strong as necessary in the most economical manner, there is no sound reason why public funds should be spent on government power projects.

RESOURCES COMMISSION ISSUES
REPORT

Public Power
January 1951

The President's Water Resources Policy Commission pointed out that the nation is falling far short of potential goals in resources development. The group recommended that all water resources planning and operation be handled on a multiple-purpose river basin basis, "One river, one plan."

In the field of Federal hydro policy, the Commission recommends continued preference to public bodies in the sale of Federal power; also that licenses for non-Federal water power developments be issued only with the joint consent of Federal agencies responsible for power in basin programs.

Pointing to the Federal Power Commission estimates that the nation will need a total installed central station capacity of 160 million kw by 1970, WRPC asserted that this will require the joint efforts of both public and private enterprises. The Commission presented statistics showing that in areas where there has been competition from public power, rates to the rural electric co-ops have declined steadily whereas in areas where there has been no competition, rates have remained stable. On irrigation, WRPC recommended that primary beneficiaries should repay, without interest, an amount assessed according to their ability to pay, as is the case under present law. Part of the remaining investment cost should be borne by those receiving secondary benefits of the project, and the remainder by the Federal government in the national interest. This is in contrast with present practice which shifts a considerable portion of irrigation costs to the electric-rate payers and permits the diversion of the interest charge on power costs for the benefit of irrigation phases of the project.

SEN. TOBEY URGES CO-OP OFFICIALS
TO "SELL" SEAWAY PROJECT

Cleveland AP dispatch in the
Washington (D C) Star
January 31, 1951

Senator Tobey of New Hampshire urges 4,000 electric cooperative officials to "sell the gospel of the St. Lawrence Seaway." In a speech before the National Rural Electric Cooperative Association, the senator said "Our long-term national defense, the economic growth of our good Canadian friends, the future of heavy industry and commerce of our own great Midwest, the electric-power hunger of our industries and consumers in New England and New York, are all tied up in the success of the St. Lawrence Seaway." Organized minority interests, afraid to face competition of lower power rates, he declared, have muddled the waters and misled many people. The Senator said this country is in a period of "semimobilization" and still has time to assume the burdens of world leadership which require the transportation facilities and hydroelectric power which would be provided by the St. Lawrence development.

NEW TYPE BUYOUT OFFER MADE TO
RURAL SYSTEM BY COLORADO UTILITY

Rural Electrification
January 1951

Board members and Manager Kalcevic of Union Rural Electric Cooperative of Brighton, Colorado were approached in November by Colorado Central Power Company spokesmen with an offer to pay off the remainder of the co-op's debt to REA, pay members for their equity in the system, hire Kalcevic at a salary increase, and permit a co-op director to sit on the commercial power company Board of Directors. According to Union REC Board, each was approached separately with the offer and led to believe that other members were willing to sell. At a meeting of the co-op board on November 22, a resolution was passed stating that the "Board has no intentions of selling its assets to anyone or of making any change in the affairs and policies of the Association."

U. S. COURT REFUSES TO DISMISS
10-POWER SUIT AGAINST REA \$31
MILLION LOAN TO CO-OPS

Washington A P Dispatch in the
New York Times
January 23, 1951

Federal Judge Charles F. McLaughlin overruled a motion by the government to dismiss a suit in which 10 Missouri power companies sought to block use of federal money to build steam power plants in the southwest for super cooperatives. No date has been set for the trial. The Kansas City Power & Light Company and 9 other companies seek to stop REA from lending more than \$31 million to construct two big steam plants and some transmission lines in Missouri. The private companies contend that the Southwestern Power Administration proposes to buy all the steam-generated power, lease most of the transmission lines and sell the power back to the REA-financed cooperatives. In asking dismissal of the suit, the government took the position that the private companies could not legally maintain such a suit against the U. S. and that the interests of the private companies were not seriously affected.

PATRONAGE REFUNDS

Editorial in Public Power
December 1950

The Magic Valley Electric Cooperative, Mercedes, Texas, has refunded \$110,000 accumulated during a six-year period, to 3687 farmer-members. This is an important milestone in cooperative electric power. That these reserves could be built up, over and above the costs of operation, including debt service, is a tribute to the capacity of farm people to manage their own affairs. Some may argue that these funds should have been used to hasten debt retirement as many other systems do. In either event, tangible benefits accrue which disprove early-day statements that rural electric co-ops would fail in time and be taken over by private power.

COLORADO UTILITY SHOVES OWN
AREA AT RURAL CO-OP

Rural Electrification
February 1951

Frontier Power Company is attempting to force Southeast Colorado Power Association of LaJunta to serve a sparsely populated area which Frontier has had a certificate of convenience and necessity to serve for several years. However, Frontier is demanding that loads of 50 kw or more be reserved for the power company to serve in exchange for "privilege." Residents of the unserved area in southern Huerfano County started the wrangle by demanding that Frontier initiate service there in line with the certificate. Frontier told them the co-op probably would provide service there. Lewis E. Amend, President of Colorado Statewide as well as SECPA, declared the co-op was willing to serve the area but only if Frontier was willing to remove the strings from the surrender of its certificate. An important side issue in any Public Utility Commission hearings will be the question of the Commission's jurisdiction over Colorado electric co-ops. Frontier brought the issue up by demanding that the Commission make SECPA a party in the action brought by residents of the area.

T E L E P H O N E S

THE RURAL TELEPHONE LOAN PROGRAM

The Farm News of Carroll County
Delphi, Indiana
December 1950

A year has passed since Congress voted that the taxpayers' money be used to rebuild and extend rural telephone lines. Up to October 6, 1950, 34 loans, totaling \$7,901,500 has been made. Eight were to co-ops and mutuals, and 26 to profit companies. These questions arise: If profit telephone companies want money, presumably they expect to make a profit. Why, then, don't they go to commercial lenders who make a business of lending money to businesses for profit? Why should taxpayers be forced to finance private profits ventures especially when the American people are being taxed more and more heavily to build our defenses? It may be said that banks won't lend to rural telephone companies because the chance of making profit is not great enough. In such case, is it out of the way to suggest that the telephone lines be financed by the subscribers who will use them? That is the cooperative way. It burdens no taxpayer, augments no bureaucracy, and retains control in local hands. One may argue that the subscribers can't afford it. This we deny. An investment of \$200 by each subscriber would provide ample modernizing funds and if the company is managed efficiently, such investment should pay a fair dividend. The first family to receive a new telephone under the government loan program was that of Eugene Dickinson of Fredericksburg, Virginia. Mr. Dickinson was exhibiting his Guernseys at the state fair when the installation was made. Does a farmer who owns 90 head of cattle need to have the taxpayers finance his telephone service?

THE RURAL TELEPHONE

Editorial in
The Farm News of Carroll County
Delphi, Indiana
January 1951

Rural people probably have more need for telephone service than urban residents. The increasing difficulty in obtaining medical attention in the country is evidence of this. Rural fire control is also largely dependent on telephones and specialized farm production and marketing operations today make such service a necessity. During the earlier part of this century, literally hundreds of telephone systems were built to serve farmers and small town people in the state. Some were proprietorships, some non-profit corporations, some cooperatives. Now it appears that many of them were never adequately financed. Many rendered service at a low rate. Due to the low rates, maintenance was poor, no reserve for replacement of wornout equipment was created, and capital to serve new subscribers is not now available. In many cases, it is difficult for farmers to cooperatively finance their own telephone systems. Long term credit, not usually available from banks, is needed. The federal rural telephone program is a means to that end. The rural electrification program has proved its economic soundness, and the rural telephone program should prove equally sound. The engineering and operating experience already gained under the electrification plan should prove invaluable.

REA PLANS TEST OF RADIO LINK BETWEEN REMOTE SUBSCRIBERS AND EXCHANGES

Telecommunications Reports
February 5, 1951

A test of the use of radio telephone equipment to link groups of potential telephone subscribers in remote areas with central offices of REA farm telephone borrowers is being projected by the agency. This would avoid the high cost of wire line construction to inaccessible points. REA is asking for bids on radio link equipment suitable to connect a group of rural subscribers, inter-connected by a two-wire line operating on a multi-party line basis, over a distance of 10 to 20 miles to a telephone central office. Equipment must be in accordance with FCC standards, and designed to operate on common carrier radio relay frequencies assigned by the Commission. Test installation of the radio link equipment is planned in Virginia at either one of two REA borrowers' locations. Standards set up for REA for the equipment are such that it would be designed to replace fully the conventional wire line connection to the central office, in all respects.

REA ADMINISTRATOR WICKARD, IN
LETTER TO OKLAHOMA COMMISSIONER
JONES, GIVES COMPREHENSIVE EXPLAN-
ATION OF REA AIMS IN FARM TELEPHONE
WORK

Telecommunications Reports
December 11, 1950

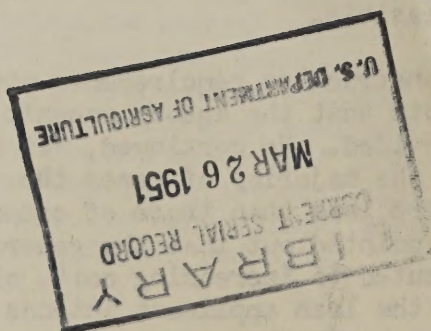
In an address at the Phoenix convention of the National Association of Railroads and Utilities Commissioners in November, Commissioner Jones of the Oklahoma Corporation Commission was rather critical of some phases of the rural telephone program. In his letter of reply REA Administrator Wickard said that the Oklahoma Commissioner was correct in his view that rural telephone needs in the United States present different problems than the rural electrification program. For this reason, REA engaged a number of people experienced in telephony. Mr. Wickard emphasized that REA was in complete agreement with the Commissioner that state regulatory bodies could play an important part in the telephone program, particularly with regard to approval of rates and other matters which come under their jurisdiction. He also noted that his agency had been faced with the problem of spreading limited manpower as far as possible in attempting to process the large backlog of loan applications. Under this pressure, he continued, our personnel has been unable to discuss the applicants with the commission as much as they would like.

Replying to Commissioner Jones' views on the implied limitations of REA on the size of applicants considered for loans, Administrator Wickard said each applicant is considered on his own merit. He added, "It is true that we are generally doubtful of the economic feasibility of applications based on plans to serve less than 300 subscribers," emphasizing that Congress directed that the Administrator certify in each rural telephone loan that it will be repaid within a period not to exceed 35 years. Mr. Wickard agreed with Commissioner Jones that the only solution to the problem of the small companies is for them to consolidate into a larger company which is economically feasible.

Alluding to comments that REA construction requirements are excessive, the Administrator wrote that the agency doesn't require that dial service be provided. He continued, "It is our considered judgment that in the majority of cases the annual costs of dial equipment are less than those of comparable manual installations." He pointed out that the general trend of wage levels has contributed to increasing costs of operating manual equipment. If the loan applicant intends to operate his own toll facilities, the REA has approved manual central office equipment, Mr. Wickard said. Stressing that rural telephone systems are being installed for the next 35 years, the Administrator declared that "it would be nothing less than wise economy to start out with the best that is economically feasible."

Referring to determination of that portion of an existing plant which is usable in a proposed system expansion, Mr. Wickard said each case was weighed on its own merits; no sweeping policy determinations have been made. The area coverage program of the agency renders a large proportion of the existing systems inadequate to serve the increased subscribers, he noted.

In reply to Commissioner Jones' views on the rates being considered by REA borrowers in Oklahoma as compared to those asked for rural areas by the Southwestern Bell Telephone Company in its application before the Commission, Mr. Wickard pointed out that it was REA's experience that "the larger telephone companies, including Southwestern Bell, consider rural telephone service only in terms of serving the more densely populated rural areas." Bringing out that Congress gave REA a mandate to provide telephone area coverage, he agreed that it was apparent that an organization serving rural areas on an area coverage basis will have higher operating costs per subscriber than one serving urban and more densely populated areas. Administrator Wickard told Commissioner Jones that the REA wishes to cooperate with the commissions in every way possible. He added that in general the responsibility in presenting rate cases to the state commissions lies with the borrowers.



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ELECTRIFICATION

RURAL ELECTRIFICATION'S PART
IN DEFENSE RELATED

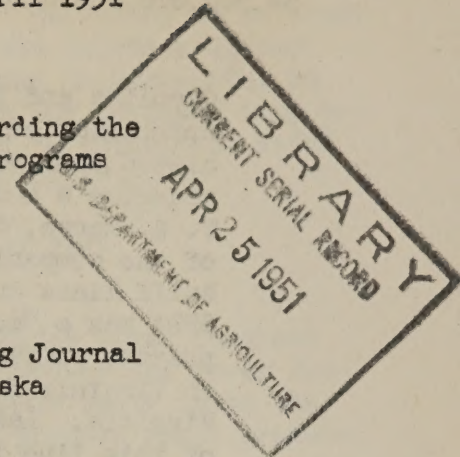
Lincoln Evening Journal
Lincoln, Nebraska
March 12, 1951

The part of rural electrification in the state and nation's civil defense program was the theme of the 15th Annual Convention of the Nebraska Association of Rural Public Power Districts and membership associations, beginning here March 12. Thomas McKillop, chief of the Management Division of REA in Washington, told the group that failure to permit REA organizations to generate and transmit power needed by consumers is a restriction on free enterprise. Opponents of the REA aim their attack mainly at that part of the REA program, he said. In Nebraska where 73 percent of the farms are now electrified, the farmers are able to produce more food and fiber with less manpower, McKillop declared. One of the important points in REA's cooperation with the civil defense program, the Management chief continued, is making its equipment available to the defense program.

UTILITIES SEE EXPANSION FOR
DEFENSE

New York AP dispatch in the
Sunday Star-News
Wilmington, North Carolina
February 25, 1951

More generating capacity earlier than planned is the 1951 slogan of privately-owned electric power companies. Plans for construction of new generating capacity were stepped up voluntarily by these companies almost with the first shot of the Korean War. Louis V. Sutton, President of Carolina Power & Light Company, is confident the industry can "even surpass the outstanding job of electricity supply it did in the last war emergency," if the government doesn't interfere with their expansion program. The government has been urging hydro development in many sections, contending its program will bring cheaper and more abundant electricity. Power generated by the private utility companies in 1950 hit a high of 328,000,000,000 kwh nearly 12 percent greater than 1949. Mr. Charles Wilson, Director, Office of Defense Mobilization, echoes the feeling of many private power men that if all-out war comes a manpower shortage would put a ceiling on defense output before electric power becomes a bottleneck. Acceleration of the industry's expansion consists for the most part in stepping up construction schedules.



SOUTHERN UTILITY OFFICIALS OPPOSE
\$4,500,000 FOR U. S. POWER LINES

A. P. Dispatch from Washington in
Raleigh News and Observer
March 6, 1951

Carolina and Virginia power company officials oppose a \$4,500,000 appropriation for government power lines. They appeared at a closed door session of a House Appropriations Subcommittee, considering a money request by the Southeastern Power Administration. T. A. Moore, General Counsel of VEPCO, told reporters that officials of the companies contend "there is no excuse" for the government to build lines in Virginia and the Carolinas. He contended also that SEPA has a "moral obligation" to seek a satisfactory contract with a private company before spending money on a proposed government line in Virginia from the Federal Buggs Island plant to Langley Field, Virginia. Last year Congress appropriated \$1,850,000 for the start of this line to supply the big power needs of the National Advisory Committee on Aeronautics at Langley Field. Louis V. Sutton, President of Carolina Power & Light Company, told reporters "the government has no right to go out as a power broker." He declared his company's plants at Goldsboro and Lumberton, North Carolina, together could produce twelve times as much power as the Buggs Island plant now being built.

REPORT SHOWS POWER SHORT

Independent Capital Bureau story from
Columbia in
The Anderson Independent
Anderson, South Carolina
March 7, 1951

Even under the most favorable conditions South Carolina will have no electric power reserve to meet any emergency demands during November and December of this year, according to a 3-state power survey issued on February 7 by an official of the Duke Power Company, Charlotte, North Carolina. If water conditions should be adverse this year, there will be no power reserve whatsoever during the last 6 months of 1951. Considering estimated power production during the next 3 years of both private and public power developments, the report indicated improved conditions in 1952 and 1953. However, Southeastern Power Administration expressed the opinion that load growth during the 3-year period should be 15 to 17 percent instead of 10 as estimated under the report. The survey does not consider possible defense demands nor the industrial requirements that grow from the Atomic Energy installation in South Carolina. The survey covered private power companies in Virginia, North Carolina and South Carolina, and a public agency in South Carolina. The findings were viewed as showing the need for expansion of both public and private power projects, including early construction of Hartwell Dam and proposed expansion of Santee-Cooper facilities.

CANADA WILL BUILD SEAWAY ALONE IF
U. S. FAILS TO JOIN, CHAPMAN SAYS

Washington AP dispatch in
New York Times
February 23, 1951

"Canada is going to build the seaway on her side - even if we don't," Interior Secretary Chapman testified before the House Public Works Committee. He urged the committee to authorize building the seaway

as a joint U. S. - Canada project, adding if Canada did the job alone, "American shipping would have to pay tribute." Referring to movement of iron ore from newly discovered deposits in the Labrador-Quebec area to supplement supplies from the Mesabi Range in Minnesota, he said he did not see how we will be able to meet our national iron ore requirements five years hence unless the seaway is built. He added that this project should receive the highest priority.

REA COOPERATIVES SAY NORTHEAST
NEEDS ST. LAWRENCE POWER

Washington Daily News
March 1, 1951

Spokesmen for northeast rural electric cooperatives urged Congress today to approve the \$800,000,000 St. Lawrence Seaway and Power Project as soon as possible. They said the northeast badly needs the low-cost hydroelectric power the dual purpose project would produce.

FPC DENIES PETITIONS FOR REHEARING
IN ROANOKE RAPIDS CASE

FPC Release No. 5269
March 1, 1951

The Federal Power Commission has denied petitions of the Secretary of Interior and the Virginia REA Association for rehearing on the FPC's order of January 26, issuing a license to VEPCO for construction and operation of a hydroelectric project on the Roanoke River near Roanoke Rapids, North Carolina. The Commission said it already had passed upon the substance of Interior's allegations, and had disposed of the claims of the REA Association in its January 26 opinion and order.

OZARK STEAM PLANT

Editorial in the
Arkansas Gazette
February 15, 1951

When REA approved a \$10.5 million loan to the Arkansas Electric Cooperative Corporation for a steam generating plant at Ozark, a vice president of Arkansas Power & Light cried that the "public power interests have crossed the 38th parallel." AP&L has now joined with two Oklahoma utilities to oppose Arkansas Electric's application to Public Services Commission for a certificate of convenience and necessity. There is more to this controversy than AP&L's possible loss of customers in the 3 REA co-ops which have set up Arkansas Electric to supply their own power needs. The steam power plant at Ozark would tie into the transmission line of Southwestern Power Administration and give that Interior Department agency access to 30,000 kwh of firm power to bolster the fluctuating power load from the hydroelectric plants it now controls. While SPA had access only to power generated at the government dams in the area, it did not offer serious competition to the private utilities. AP&L opposes SPA's obtaining steam generated power under any circumstances. The Public Service Commission has an obligation to protect the private utilities it licenses from unfair competition, but it doesn't have an obligation to guarantee their monopolies if other agencies, public or private, can better serve the public. Arkansas Electric claims it can produce power at its proposed Ozark plant cheaper than AP&L can supply it, that the existing market in the REA co-ops justifies the project, that erection of the plant will in itself greatly expand the market for power and thus benefit the whole region. These assertions can be readily proved or disproved. If true, the Ozark steam plant should be approved. In this expanding time, Arkansas needs all the power sources it can get.

CO-OP TAXATION THIS YEAR?

Public Utilities Fortnightly
March 1, 1951

Heavy fiscal drains on existing tax sources are forcing internal revenue experts to look for new income sources. Particular groups heretofore have enjoyed certain tax benefits because of the nature of their operations or structure of their organization. Now pressure is being brought to include such groups in the tax base. G. M. Lester, president of the National Tax Equality Association, at a Rotary Club meeting in Columbia, South Carolina, dealt with the prospects of cooperative taxation at this session of Congress. He estimated that co-ops in the U. S. do about \$18 billion worth of business annually. If they were taxed as other businesses, the revenue from them would amount to \$2 billion he asserted. He continued, "They (cooperatives) claim they have no income because they are non-profit. This is not true. Under the law, they set up reserves on which no tax is paid. The rest of the profit, which they claim belongs to their patrons, does not have to be paid out in cash. They frequently issue stock, script, or book credits and thus keep all the money in the business." To prove his point, Lester compared the earning a co-op would receive on \$100,000 in ten years to the earnings of a business required to pay taxes. At the end of this period, he said, the taxpaying business would have \$501,000 in contrast to \$5,000,000 for the cooperative.

23rd AMENDMENT ADVOCATES DON'T
REGISTER, BUT GET IN "RECORD"

Rural Electrification
March 1951

The 23rd amendment proposal of the "American Progress Foundation" to abolish REA, TVA and nearly 90 other government agencies is being readied for introduction to Congress, according to the office of Senator Herbert R. O'Connor last month. Among the facts uncovered on the "non-profit" Foundation is that it has never been registered under the Federal Lobbying Act. The Los Angeles Times says 7300 copies of the proposed amendment have been mailed by the Foundation to Lions Clubs over the nation. To date, 3 resolutions by local business clubs or civic groups advocating the amendment forbidding the Federal government to "engage in any business, professional, commercial or industrial enterprise in competition with its citizens" have been introduced in the Congressional Record, the latest by O'Connor on January 9. Foundation literature charges that REA was created "to invade and destroy the private enterprise of electrical power distribution." Willis E. Stone, identified as an "industrial market analyst" and listed as the Foundation's president, answered questions by the Los Angeles Daily News on the effect of the amendment on TVA and public housing by saying it would "force the government to divest itself of properties by sale to states, municipalities and private corporations." The agencies listed as competing with private enterprise include: Agricultural Research Administration, Bureau of Reclamation, Bonneville Power Administration, the War and Navy Departments, the Federal Deposit Insurance Corporation, Federal Reserve Banks (all 12), Farm Credit Administration, Reconstruction Finance Corporation, Southwestern Power Administration, and others. By selling the properties and facilities of these and other Federal agencies named as "socialistic" the Foundation claims the government could obtain \$50 billion to apply to the national debt.

REA CO-OPS

National Grange Monthly
March 1951

REA co-ops appear to be in danger of being virtually "frozen" during the emergency so far as completion of present projects is concerned. REA has enlisted congressional aid to prevent Defense Electric Power Administration from stopping all construction. DEPA has drawn an order which would prohibit REA co-ops using more than a limited amount of materials. REA doesn't object to the limitation but does fear that private power interests in DEPA will use their allocation authority to choke off competition. The co-ops want REA to have charge of allocations.

WARREN BACKS LAW TO FREE
CO-OPS FROM REGULATION

Rural Electrification
March 1951

California rural electrics lost the first round in their fight for freedom from control of the California Public Utilities Commission but won the support of Governor Earl Warren. A bill taking away the authority the Public Services Commission claimed in November passed the State Senate without a dissenting vote. When the bill was called up for hearings before the Assembly Committee, a representative of California Electric Power and associated companies appeared in opposition. It was tabled and California rural electric leaders say there is no chance for further action until the legislature reconvenes this month. At a press conference on January 30, Governor Warren said, "I am familiar with the problem and the effects of the ruling of the utilities commission declaring these rural electrification districts are under the state regulation. I believe it is unfortunate this is the law. ****It seems to be a denial of a right on their part to have electrification of homes and farms and I hope the legislature will enact a law to remove them from the commission."

COMMISSION RULING

Co-op Power
February 1951

The Public Service Commission of Arkansas has ruled that the Arkansas Power & Light Company has no right to take over electric services now being provided by the Farmers Electric Cooperative serving the Trim-foot Shoe Company at Newport, Arkansas. The commission has in the past laid down a general rule that cooperatives must serve rural areas and the AP&L must serve towns primarily. The commission ruled that since the co-op started serving the shoe company before its annexation to the city and had established an investment, it should be allowed to continue the service. Testimony at the hearing on the case showed that the shoe company has, however, refused to pay a \$5 membership fee making it a formal member of the co-op.

VIRGINIA COMMISSION BANS REA
LOANS FOR WIRING AND APPLIANCES

Public Power
February 1951

In a surprising reversal of its former stand, Virginia's State Corporation Commission has ruled that electric co-ops can no longer accept Federal loans to finance installation of wiring and electrical appliances for individual co-op members. The Commission, stating that it had "reconsidered the law," made its ruling when it denied a request from the Craig-Botetourt Electric Co-op for authority to accept \$53,351 from the REA. The commission took the stand that the wiring

of the property of a customer or the installation of appliances were not to be construed as meaning the improvement of the facilities of the utility, per se. In noting that the law was "reconsidered," the SCC apparently implied that it was in error in past cases by not distinguishing between individual co-op members and the co-op itself.

STATE CORPORATION COMMISSION
REVERSES ITS RULING IN C-B CASE

Rural Virginia
Petersburg, Virginia
March 1951

After a hearing held on petition of Craig-Botetourt Electric Cooperative, the Virginia State Corporation Commission reversed its earlier ruling, and granted permission to the co-op to accept an REA loan of \$53,351 to make loans to its members for wiring and other electrical appliances. At the hearing, the facts about SCC's previous rulings, permitting 14 such loans, were presented. It was pointed out also that the law had not been changed. Harry D. Bowman, Craig-Botetourt manager, testified that the loans were not made for non-essential luxury items. Next day the Commission granted permission to Craig-Botetourt to accept the loan.

ATOM-GENERATED ELECTRICITY IS
PROMISED BY LATE SPRING

NANA story in the
Washington (DC) Star
February 11, 1951

U. S. scientists in a few months will produce the world's first sizable quantity of atom-generated electricity--unless it's been done for years in Russia as Soviet leaders claim. Atom engineers here contend the feat heralds the "atom era" in American industry. Chairman Gordon Dean of the Atom Energy Commission reports the electric reactor will start operating in "late spring or early summer" at the AEC's reactor testing station in Arco, Idaho. The system to be used in producing power is similar to steam-generating electric plants throughout the U. S. AEC's Arco pile was not constructed primarily as a power-producer. This pile is called a "breeder". With it, AEC hopes to improve its methods of producing fissionable materials. Dr. Lawrence R. Hafstad, boss of AEC's pile program, says: "Our utilization of uranium today is relatively very inefficient.**** If atomic power is ever to become an economic factor in our lifetime, we must find a better way of utilizing the atomic fuel we have. The breeder reactor looks like the answer."

TELEPHONES

BILL ON REA COOPERATIVES
OPPOSED BY OKLAHOMA PEOPLE

Telephony
March 10, 1951

More than 100 representatives of Oklahoma telephone companies at the recent hearing opposed certain features of S. B. 155, permitting the organization of co-ops financed by the REA in the state. Hugh Straughn, secretary of the Oklahoma Telephone Association, said that Oklahoma telephone companies do not oppose the formation of co-ops under such loans. However, some of the terms of the proposed act, particularly those requiring telephone companies to connect with cooperatives and exempting such co-ops from taxation, Straughn added, would constitute unfair and destructive competition. The Senate committee agreed to the appointment of a joint committee of five proponents of the REA co-op bill and five men representing the Oklahoma Telephone Association

to draw up a new bill for presentation at a later meeting. Under existing Oklahoma laws, telephone cooperatives, if operated on a non-profit basis, are already exempted from jurisdiction of the commission over their rates.

KANSAS RURAL COOPERATIVE
AMENDMENT INTRODUCED

Telephony
February 17, 1951

A bill to amend the Kansas rural cooperative telephone act was introduced in the state legislature on February 5, by the house public utilities committee. The measure would remove telephone cooperatives not maintaining a central office from jurisdiction of the Kansas Corporation Commission, provided facilities are not extended into the territory of another telephone company.

THE RURAL TELEPHONE PROGRAM

Article by R. A. Dell
Telephone Engineer
February 1, 1951

The rural telephone loan program aims at more and better telephone service in rural areas. It is a little more than one year old. As of October 28, 1950, we had received 688 applications and had made 43 loan allocations, totaling \$12,337,500. Of these, 29 were to commercial companies and 14 to co-ops. Five loan contracts had been signed as of the same date. The allocation sets aside the amount of loan funds needed and which will be advanced when requirements have been met by the borrower. After these requirements are met, the contract is executed. But before the allocation is made, the REA Administrator makes three certifications: 1 - the security for the proposed loan will be reasonably adequate and the loan will be repaid within the recommended period; 2 - no duplication of telephone facilities, providing reasonably adequate services, will result from the loan, and 3 - the telephone service to be furnished or improved will be available to the widest number of rural users.

Part of the Problem of meeting equity requirements is the limitation on REA authority to refinance existing indebtedness. The Act permits REA to refinance present debt only when necessary in order to extend and improve service, and then only to 40 percent of the amount of the loan. This results in some applicants having to raise more money locally. Congress intended that we should lend money for more and better telephone service, not merely to help people out of financial difficulties.

We are interested in the agreements between our borrowers and the companies with whose facilities the borrowers must have connections for two reasons: First, we want our borrowers' subscribers to receive satisfactory service; and, second, we would like to see those subscribers pay the lowest possible rates.

Regarding duplication of existing facilities, it is the policy of REA to avoid the duplication of any facilities which are furnishing adequate service. Some people have thought this policy applied only to the first year's operation. In this respect, Administrator Wickard recently said, "****we could not foresee any change occurring on or after October 28, 1950, so far as our relationships with existing companies are concerned.****Moreover, let me call your attention to the fact that the law provides, in addition to the special one-year

priority, a continuing preference for existing companies along with cooperatives.***"

Another problem is that some loan applications come from small organizations where the expense and overhead are likely to be out of proportion with rates the people can afford. We believe consolidations greatly improve efficiency and sometimes makes loans feasible as a group operation. For these reasons, we suggest the possibilities of consolidation or merger be explored.

Finally, the usual terms are repayment over a 35-year period with interest at 2 percent per annum on the unpaid balance. Generally we allow a one or two year moratorium to give the borrower an opportunity to get revenues with which to pay obligations. Based on a 35-year term of repayment and a two-year moratorium, the repayment amounts to 4 percent of the total loan funds annually to meet loan service requirements. Additional loans may be negotiated with REA subsequent to the original loan, provided Congress makes available funds for such purposes.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

May 1951

P R E S S D I G E S T

A Sample of Newspaper Stories and Comment Regarding the
Rural Electrification and Rural Telephone Programs

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ELECTRIFICATION

REA WINS DISPUTE ON METAL
ALLOTMENT

Washington UP dispatch in
The New York Times
March 30, 1951

The Secretary of Interior ordered Defense Electric Power Administration, headed by C. B. McManus, to make a lump allocation of copper and aluminum to REA to distribute as it sees fit among its co-ops. McManus had insisted on deciding himself how much of the scarce metals should go to each REA co-op. He also proposed investigating the co-ops to determine whether they duplicated existing private power facilities. Claude R. Wickard, REA Chief, protested this would hamper and delay REA construction. Interior Secretary Chapman instructed Mr. McManus and Mr. Wickard to agree on a "permanent policy" for handling allotments to co-ops after June 30.

REA'S IMPORTANCE STRESSED
BY AFBF IN PLEA TO WILSON

AFBF Official News Letter
April 16, 1951

Stressing the use of electricity in the mobilization period, the AFBF recently wired the Office of Defense Administration: The increased use of Electricity on farms has been a major factor contributing to the 50 percent increase in productivity per man in agriculture during the past decade. The AFBF Board of Directors, therefore, recommends (1) that rural developments be given consideration commensurate with their importance to the mobilization program and (2) the establishment of a quarterly quota for REA co-op development, such quota having a comparable base relationship to other power developments, and authority left to REA to approve REA cooperative applications within such a quota.

CREEPING PROSPERITY

Ft. Myers News-Press
Ft. Myers, Florida
March 26, 1951

Those who use the catch-phrase "creeping socialism" to condemn every government proposal to assist with loans or grants in present-day development of the country ought to take a look at the REA as exemplified by the Lee County Electric Cooperative. REA is one of those alphabetical agencies set up under the "new deal" to bring

electricity to sparsely settled or undeveloped areas of the country. The local co-op used the taxpayers' money to string lines to remote homes and farms in the woods, and in 1940 started business with 165 customers. Then the war came along. After the war, a solid development boom set in around here and it was not coincidence that it occurred in areas where the electric co-op was set up to supply service. In this boom came the amazing growth of North Fort Myers, new homes and tourist courts, farming growth in the Pine Island area, and the tremendous agricultural developments at Immokalee. This would have been impossible without REA power lines.

Now suppose the "taxpayers' money" were a total loss. Still the taxpayers would be ahead. The developing tourist and agricultural economies have added greatly to the community wealth. This new wealth seeps out to everybody. It seems safe to say that increased income taxes collected would more than compensate the treasury for money expended by the REA co-op.

But the money is not lost. Lee County Electric Cooperative has been repaying its loan to the government with interest. It has been paying taxes and at the same time setting aside depreciation funds. "Creeping socialism" is it? Sounds more like creeping prosperity.

NO 'BROWN OUTS'

Boca Raton, Florida, dispatch
in Washington Daily News
April 12, 1951

The "brown outs" of World War II will not be necessary during the present emergency, according to L. V. Sutton, president of the Edison Electric Institute. Speaking at a meeting of the 11-state Southeastern Electric Exchange, he said a \$15,000,000,000 expansion program would be completed by the end of 1953, increasing the nation's power output 85 percent above the capacity at the end of World War II.

CONSTRUCTION:

Electric Light and Power
April 1951

Shortages are slowing up the electric light and power industry's ambitious plans for expansion. Everyone is talking about how much building their companies intend to do but, as yet, few are definite about when the work will start.

HOW AYER HANDLES COMMERCIAL
FILMS

Advertising Agency
April 1951

(Commercial films are being used by electric and other utilities to reach the patrons of regular movie theaters - and television audiences. G. D. Gudebrod, Manager, Commercial Film Bureau, N. W. Ayer & Son, Inc., tells how his agency handles such films.)

***** The client (Electric Companies Advertising Program) wanted to reach the general public. The best way to reach millions of people by films is through regular theaters. ECAP wanted to show people the dangers of creeping socialism and of government ownership of business. If we were going into movie theaters to present this message, the film would be competing with Hollywood pictures and must be at least equal to them in entertainment and dramatic values. A message as important as this seemed to require at least a one-reeler for effective presentation.

We decided that a fully-animated Technicolor cartoon was the best type of film to use in the one-reeler class for regular theater distribution. We also decided to use top talent in this field, and gave the assignment to Hollywood's John Sutherland, Inc. The resulting film, titled 'If You Don't Watch Out,' shows what happens in a woodland community when the foxes of socialism start taking over the private enterprises of other animals. It is being released by individual electric power and light companies to theaters in their areas, and 16-millimeter prints are available to non-theatrical groups.

BUGGS ISLAND-LANGLEY FIELD
POWER LINE SURVEYS BEGUN

Washington AP dispatch in
Raleigh News and Observer
April 5, 1951

The federal government has started surveys for transmission lines between its Buggs Island power plant in southern Virginia and Langley Field, Virginia. Interior Secretary Chapman announced two parallel 146-mile lines will be built, primarily to serve the laboratory of the National Advisory Committee for Aeronautics at Langley Field. These surveys were started after unsuccessful negotiations by the Southeastern Power Administration with Virginia Electric and Power Company. SEPA Administrator Creim said, "The company's fee would prevent the government from serving its own laboratory at Langley Field and other important defense loads in the Norfolk area."

IOWA CO-OPS OPPOSE STATE
COMMISSION BILLS

Public Power
April 1951

A large number of bills aimed at setting up a Public Utilities Commission has been introduced in the present Iowa legislature. Iowa Rural Electric Cooperative Association is opposing such regulation on the grounds that the two principal objectives - to protect consumers in matters of rates and service, and to protect the investing public - do not apply in the case of rural electric co-ops. The main effect of the proposed commission, according to IRECA, would be further opportunity for private electric companies to hinder rural electrification.

PSC PERMIT AUTHORITY
QUESTIONED

Arkansas Democrat
March 21, 1951

Private utilities opposing the petition of the Arkansas Electric Cooperative Corporation to build a \$10 million steam generating plant

near Ozark may challenge the authority of the Arkansas PSC to hear the case. Carl Adams, utility attorney, pointed out that Arkansas Electric plans to lease power from the new plant to Southwest Power Administration. This, he added, is an attempt to get around 1945 congressional action denying SPA authority to build generating plants. Lined up against Arkansas Electric, are five private power companies which were joined yesterday by the IBEW (AFL). Thomas B. Fitzhugh, attorney for Arkansas Electric, will endeavor to show that the power supply in northwest Arkansas is inadequate and that the new generating plant would permit the sale of cheaper power to co-op customers. Private utility lawyers deny this. Arkansas Electric plans to finance the \$10 million plant through an REA loan, then sell all of the power and lease the transmission lines to SPA. Adams charged that it was "unconstitution, illegal, and unauthorized," for the government to sponsor construction of a generating plant, buy the output and then sell it back to the people. Officials see this as a precedent-setting case which may cut a pattern for future development of power facilities in Arkansas. An attorney for the private companies said that they could not compete with co-ops which pay no taxes.

GOVERNMENT IN PRIVATE
BUSINESS

Editorial in
The Hampton Chronicle
Hampton, Iowa

The government did not engage in the farm electrical business. It simply loaned money to private enterprise or to regularly formed co-ops to put up farm electric lines. When the law was first enacted, the job of soliciting the farmers of any certain county would make the cost as well as the work of doing it prohibitive. However, the farm organizations can be credited for the most part with putting the venture over. Here in Franklin County the Farm Bureau officers called a meeting of farmers and explained the proposition. The farmers were sold on the idea of having electricity in every farm home. There is no friction between the rural electric and private electric organizations in Franklin County. They just "co-operate" together, both serving their respective patrons.

NOTES FROM THE NEWS

Electrical World
March 19, 1951

Ohio's Governor Shriver has approved a bill amending the Rural Electrification Membership Corporation Act to provide that such groups may remain in operation after the city or town they serve rises over 1,500 in population.

ASSOCIATION OF ALASKA CO-OPS FORMED
AT PRE-ORGANIZATIONAL MEET IN
ANCHORAGE, ALASKA

Rural Electrification
April 1951

At a pre-organizational meeting of the Association of Alaska Electric Cooperatives in Anchorage, it was the unanimous opinion that a permanent organization of electric co-ops would be most desirable. Temporary officers were elected to act until an organization could be formally brought into being at a meeting of all Alaska co-ops.

TELEPHONES

THE PEOPLE ARE BEING TAKEN
FOR A RIDE AGAIN

Editorial in
The Gallatin Democrat
Gallatin, Missouri
March 29, 1951

It's time that our state legislators be appraised of their duty to the people of this state. We refer to the damaging amendments that have been affixed to the rural telephone bill, amendments designed to kill rural telephone cooperatives in Missouri. This newspaper is not socialistic, neither is it an advocate of government getting into business. We realize, however, that private utilities have fallen down on the job of supplying power to rural areas. As a result REA brought power to farmers where the private companies either wouldn't or couldn't. Thank the Good Lord for the REA. It is a government project which pays its own way. Rural telephones are in the same category. Privately-owned telephone companies have been unable to furnish telephones to many rural areas. If these areas are not granted the privilege of forming co-ops and borrowing government money, these farmers will never have adequate telephone service. The facts are plain. If the legislation now in the hopper is killed, it will be done by the utilities who have neither served the people nor want them to be served, apparently.

EXPECT TO HAVE SUFFICIENT COPPER
TO MEET NEEDS OF REA TELEPHONE
BORROWERS FOR SOME TIME

Telecommunications
April 9, 1951

Sufficient copper for the needs of REA telephone borrowers for the foreseeable future, particularly in view of difficulties in obtaining equipment deliveries which have meant relatively slow construction progress, is now indicated, it was reported last week. The REA telephone program had received an allotment of 133 tons of copper for the first quarter of this year, comparatively little of which was used. In addition, it is felt that government defense agencies are disposed to grant reasonable requests of the REA telephone borrowers for ratings, in view of the importance of farm telephones.

LAW ON COOPERATIVES

Telephony
March 17, 1951

A bill providing for the formation of non-profit rural telephone cooperatives was signed into Indiana law March 6, by Governor Henry F. Schricker.

U.S. DEPARTMENT OF AGRICULTURE
JUN 5 1951
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